

## Message Text

LIMITED OFFICIAL USE

PAGE 01 BUDAPE 03304 281103Z

46

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SPC-03 AID-20 NSC-10 RSC-01

CIEP-02 SS-15 STR-08 OMB-01 CEA-02 L-03 H-03 CIAE-00

DODE-00 INR-10 NSAE-00 PA-03 USIA-15 PRS-01 AGR-20

FRB-02 XMB-07 OPIC-12 LAB-06 SIL-01 DOTE-00 INT-08

SCEM-02 FPC-01 EA-11 DRC-01 /205 W

----- 089011

R 280922Z SEP 73

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 0260

USDOC WASHDC

TREASURY WASHDC

INFO AMEMBASSY MOSCOW

AMEMBASSY VIENNA

AMEMBASSY WARSAW

LIMITED OFFICIAL USE BUDAPEST 3304

LQ.O. 11652: N/A

TAGS: OVIP, ETRD, HU

SUBJECT: SECRETARY DENT'S MEETING WITH DEPUTY PRIME

MINISTER TIMAR

REF: BUDAPEST 3288

1. SUMMARY. IN SECRETARY DENT'S 90- MINUTE MEETING WITH  
DEPUTY PRIME MINISTER TIMAR PRESENT STATE OF HUNGARIAN  
ECONOMY, PROSPECTS FOR ITS FUTURE DEVELOPMENT AND POSSIBILITIES  
FOR COOPERATION BETWEEN AMERICAN FIRMS

AND HUNGARIAN ENTERPRISES WERE CHIEF ITEMS OF DISCUSSION.  
TIMAR INDICATED SATISFACTION WITH PRESENT ECONOMIC  
SITUATION AND EXPRESSED CONFIDENCE CONOMY WOULD CONTINUE  
FAVORABLE DEVELOPMENT UNDER NEM PREDICTING THAT REFORM'S  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BUDAPE 03304 281103Z

SUCCESS WOULD ENCOURAGE SOME OF HUNGARY'S NEIGHBORS TO

ADOPT SIMILAR REFORMS IN NOT TOO DISTANT FUTURE. HE FORESAW CONTINUED RAPID EXPANSION OF HUNGARIAN TRADE TIES WITH WEST AND EXPRESSED HOPE FUTURE TRADE WITH US WOULD CONSTITUTE A VERY SIGNIFICANT PART OF THEIR EXPECTED GROWTH. END SUMMARY.

2. TIMAR OPENED MEETING BY PROPOSING TO GIVE SECRETARY DENT AN OVERVIEW OF HUNGARIAN ECONOMIC SITUATION. HUNGARY'S PRESENT GROWTH RATE OF 6 PERCENT, HE EXPLAINED, PLACES HUNGARY IN MEDIUM CATEGORY. WHILE IT MIGHT BE POSSIBLE TO ACHIEVE HIGHER GROWTH RATE THROUGH FULLER UTILIZATION OF CERTAIN UNPROFITABLE SECTORS OF THE ECONOMY, GOVERNMENT PREFERRED TO HOLD DOWN PRODUCTION AND CONCENTRATE EFFORTS ON STRUCTURAL TRANSFORMATION OF ECONOMY. WHILE THIS SLOWED DOWN GROWTH, TIMAR BELIEVED IT TO BE HEALTHY POLICY.

3. THE DEPUTY PRIME MINISTER WAS PARTICULARLY HAPPY WITH RECENT TRENDS IN AGRICULTURE. LARGE INVESTMENTS FOR AGRICULTURE DEVELOPMENT MADE IN EARLY 1960'S WERE NOW BEGINNING TO BE REPAID THROUGH INCREASED AND MORE EFFICIENT PRODUCTION. WHILE TIMAR ALSO NOTED THAT SOME PROGRESS HAD BEEN ACHIEVED IN INDUSTRIAL FIELD, HE LEFT IMPLICATION THAT INDUSTRY FACING MORE PROBLEMS THAN AGRICULTURE.

4. TURNING TO FOREIGN TRADE, TIMAR STATED THAT SINCE ECONOMIC REFORM INTRODUCED IN 1968 EXPORTS HAVE INCREASED SHARPLY. BOTH EXPORTS AND IMPORTS TO CAPITALIST COUNTRIES HAVE RISEN FASTER THAN TO SOCIALIST COUNTRIES, A DEVELOPMENT WHICH HE CONSIDERED TO BE PROPER PHENOMENA, AS IT SHOWED INCREASED COMPETITIVENESS OF HUNGARIAN PRODUCTS. WHILE CURRENT HUNGARIAN TRADE IS 2/3 WITH SOCIALIST COUNTRIES AND 1/3 WITH NON-SOCIALIST WORLD, TIMAR EMPHASIZED THAT THERE IS NO STRICT RATIO WHICH HAS TO BE MAINTAINED. HE PREDICTED THAT HUNGARY'S TRADE WITH CAPITALIST COUNTRIES, WHICH LAST YEAR REGISTERED SMALL DEFICIT, WOULD BE IN BALANCE THIS YEAR AND STATED THAT FUTURE TREND IS TOWARDS A BALANCE.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BUDAPE 03304 281103Z

5. TIMAR THEN LISTED THE TEN CENTRAL DEVELOPMENT PROGRAMS OFFERING COOPERATIVE POSSIBILITIES FOR US FIRMS. THE FIRST OF THESE WAS PLAN TO CHANGE ENERGY STRUCTURE FROM HEAVY RELIANCE ON COAL TO GREATER USE OF OIL AND NATURAL GAS. THE OTHER PROGRAMS CITED WERE THE BAUXITE ALUMINUM DEVELOPMENT PROJECT, A MULTI-MILLION FORINT PETRO-CHEMICAL PROGRAM, THE EXPANSION OF BUS PRODUCTION, COMPUTER MANUFACTURES, REORGANIZATION OF THE TEXTILE INDUSTRY, HIGHWAY

CONSTRUCTION AND TRANSPORT, AND ANIMAL BREEDING. THESE ARE PRINCIPAL LINES OF ECONOMIC DEVELOPMENT, TIMAR ASSERTED, AND THEY WILL REMAIN VALID FOR NEXT FIVE YEARS.

6. ON SUBJECT OF BILATERAL US-HUNGARIAN RELATIONS, TIMAR PRAISED POSITIVE TRENDS OF PAST FEW YEARS AND EXPRESSED OPINION THAT RELATIONS SHOULD DEVELOP EVEN MORE QUICKLY IN FUTURE. HE EXPRESSED OPINION THAT A TRADE AGREEMENT COULD PROVIDE MOMENTUM FOR DEVELOPMENT OF OUR TRADE AND SAID GOH WOULD LIKE TO CONCLUDE SUCH AN AGREEMENT AS SOON AS POSSIBLE. PRELIMINARY DISCUSSIONS ON MATTER HAVE BEEN DRAWN OUT BY USG, NOT GOH. FOLLOWING NORMALIZATION OF TRADE RELATIONS TRADE BETWEEN US AND HUNGARY COULD INCREASE TO 3 TO 4 TIMES CURRENT LEVELS.

7. IN CLOSING HIS REMARKS, TIMAR SAID THAT DEVELOPMENTS IN HUNGARY WORTH SPECIAL ATTENTION IN UNITED STATES BECAUSE OF ITS NEW AND UNIQUE FEATURES. OTHER SOCIALIST COUNTRIES, PARTICULARLY CZECHOSLOVAKIA AND POLAND, ARE STUDYING HUNGARIAN ECONOMY AND IT PROBABLE THAT FEATURES MORE OR LESS SIMILAR THESE ADOPTED HERE WILL BE EMPLOYED ELSEWHERE.

8. IN REPLYING TO TIMAR'S COMMENTS, SECRETARY DENT SAID THAT IT WAS CLEAR THAT THERE WERE MANY POSSIBILITIES FOR JOINT COOPERATION. ONE PARTICULARLY PROMISING AREA WHICH CAME TO MIND WAS THE FIELD OF ENERGY. THE SECRETARY THEN MENTIONED THE ADMINISTRATIONS'S STRONG SUPPORT FOR PROPOSALS WHICH WOULD MAKE MFN FOR HUNGARY POSSIBLE, BUT CAUTIONED THAT FINAL LEGISLATIVE ACTION ON THESE PRIOR TO EARLY 1974 UNLIKELY. ON MATTER BUSINESS FACILITIES SECRETARY STRESSED IMPORTANCE OF PERMITTING US COMPANIES TO DO BUSINESS IN HUNGARY AS THEY ARE USED TO ELSEWHERE, WITH WELL EQUIPPED OFFICES AND DIRECT CONTACT TO END USERS. LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 BUDAPE 03304 281103Z

IN CONCLUSION HE PROMISED TO PASS SUBSTANCE OF TIMAR'S REMARKS REGARDING HUNGARIAN ECONOMY AND TRADE POSSIBILITIES TO LEADING US BUSINESSMEN AFTER RETURNING HOME.

9. COMMENT: TIMAR, LIKE OTHER HUNGARIAN OFFICIALS SECRETARY MET, CLEARLY BELIEVES THAT SUBSTANTIAL EXPANSION OF HUNGARIAN TRADE WITH WEST POSSIBLE AND DESIRABLE. HIS STATEMENT THAT NO QUOTAS EXIST FOR TRADE WITH NON-SOCIALIST AREAS WAS PARTICULARLY INTERESTING AND INDICATIVE OF POSSIBLE FUTURE CHANGES AS TRADE WITH US AND JAPAN INCREASES. ON DOMESTIC SIDE TIMAR QUITE CONFIDENT REGARDING PROPECTS FOR HUNGARIAN ECONOMY, AND SEEMED TO HAVE LITTLE DOUBT THAT NEM IS HERE TO STAY.

10. PERSONALLY, TIMAR IS PLEASANT AND OBVIOUSLY INTELLIGENT

MAN. ALTHOUGH HE LACKED GRACE AND SMOOTHNESS OF  
VALYI AND APPEARED SLIGHTLY AWKWARD AT TIMES, THIS PERHAPS  
DUE TO HIS RELATIVE INEXPERIENCE IN DEALING WITH WESTERN  
OFFICIALS. HE DOES NOT SPEAK ENGLISH.  
PEDERSEN

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 28 SEP 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** garlanwa  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973BUDAPE03304  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** BUDAPEST  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1973/newtext/t1973094/aaaaacua.tel  
**Line Count:** 174  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** BUDAPEST 3288  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** garlanwa  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 19 SEP 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <19-Sep-2001 by thigpegh>; APPROVED <27-Nov-2001 by garlanwa>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SECRETARY DENT'S MEETING WITH DEPUTY PRIME MINISTER TIMAR  
**TAGS:** OVIP, ETRD, HU  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005